



Property Casualty Insurers
Association of America
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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

S.B. No. 203 → AN ACT REQUIRING PAYMENT FOR DIMINUTION OF VALUE UNDER AND AUTOMOTIVE LIABILITY INSURANCE POLICY

COMMITTEE ON INSURANCE AND REAL ESTATE

February 28, 2012

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on S.B. 203, which would require third party damage payments by automobile insurers to include payment for diminution of value for third party vehicles. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide 52 percent of Connecticut's auto insurance coverage.

This bill would mandate that automobile insurers include a diminution of value payment with any payment for damages to a third party's vehicle, regardless of whether proof has been provided to substantiate the claim of the vehicle's diminution in value. Requiring such an automatic payment of diminution of value, whether warranted or not, will unnecessarily increase auto insurance costs in Connecticut.

Connecticut case law recognizes a third party's right to seek diminution of value damages and such damages will be awarded in court if the third party submits sufficient proof relative to the diminution of value claim. The current system ensures that third parties are compensated fairly for diminution of value in accordance with the evidence provided by the third party. This bill, on the other hand, would require diminution of value payments to be made whether warranted or not. It should be noted that no other states have enacted statutes mandating third party diminution of value payments.

Estimations of diminished value following a loss are often subjective because the true measure of a reduction in value cannot be known for certain unless or until the vehicle is sold. A properly repaired vehicle does not automatically lose market value simply because it has been in an accident. In most instances, skilled repairers can restore a vehicle to its pre-accident condition and if a vehicle is properly repaired and is placed back into service, there is no tangible loss of value to the owner. If the vehicle is sold at a later date, it may be difficult to isolate any reductions in value stemming from a prior accident from the overall condition or value at the time of sale. It should be noted additionally, that for some older vehicles, repairs may actually increase the value of the vehicle, thereby making this bill's mandated payment for diminution of value an unwarranted windfall for the third party.

For the foregoing reasons, PCI urges your Committee to not favorably advance SB 203.